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June 20, 2006

AGENDA ITEM 4

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION
COMMITTEE**

I. SUBJECT: EFI's Parallel Valuation and Certification of the
Judges' Retirement System (JRS) Actuarial
Valuation as of June 30, 2004

II. PROGRAM: Actuarial Office

III. RECOMMENDATION:

It is recommended that the Committee accept and recommend to the full Board the acceptance of EFI's report on the parallel valuation and certification of the actuarial valuation of JRS in completion of Task 3 of Contract 2003-3236. A copy of EFI's report is included in Attachment 1.

IV. ANALYSIS:

EFI has recently completed a parallel actuarial valuation of Judges' Retirement System as of June 30, 2004, and has certified that the liabilities and costs computed in the June 30, 2004 JRS valuation are reasonable and were computed in accordance with generally accepted actuarial principles. EFI's independent parallel valuation matched, within 2.5%, the present value of benefits calculated by CalPERS actuaries.

As part of their audit, EFI noted that recent statements from the Governmental Accounting Standards Board (GASB) concerning certain non-pension benefits (GASB Statements 43 and 45) raise some concern that the discount rate of 7% used to compute pension benefit liabilities under GASB Statements 25 and 27 may need to be changed in the future for JRS accounting disclosures since the Plan is not being pre-funded. Staff will continue to monitor this issue and will

make appropriate changes as required in the future. Staff would also be happy in both establishing communications and working with the State Controller's Office in setting the discount rate for purposes of pension accounting disclosure.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial Office.

VI. RESULTS/COSTS:

There are no costs associated with this item other than the payments of EFI's fee under Contract 2003-3236.



Gale D. Patrick, Senior Pension Actuary
Actuarial Office



Ronald L. Seeling, Chief Actuary
Actuarial & Employer Services Branch

Attactments

ATTACHMENT 1

Copy of EFI's Report on the 6/30/04 Parallel Valuation of the Judges' Retirement System